



JTPA

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Serving the People of California

DIRECTIVE

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TO: SERVICE DELIVERY AREA ADMINISTRATORS
PRIVATE INDUSTRY COUNCIL CHAIRPERSONS
JTPD PROGRAM OPERATORS
EDD JOB SERVICE OFFICE MANAGERS
JTPD STAFF

SUBJECT: TITLE III COST LIMITATIONS

EXECUTIVE SUMMARY:

Purpose:

This Directive provides guidance to Service Delivery Areas (SDA) and program operators for ensuring compliance with the cost limitation and liability requirements of the Job Training Partnership Act (JTPA) for Title III funds.

Scope:

This Directive applies to Title III funds allocated, distributed or awarded for Program Year (PY) 1995-96 and thereafter, pursuant to the 1995 Appropriations Act for the Department of Labor (DOL), et al. (P.L. 103-033, September 30, 1994). It replaces JTPA Directive D95-15 dated September 11, 1995. Funds allocated, distributed or awarded for PY 1994-95 are covered under JTPA Directive D96-15 dated December 20, 1996. Funds allocated for Title III for years of allocation prior to PY 1994-95 are covered under JTPA Interim Directive 94-11 and JTPA Directive 91-4.

The only significant change between this Directive and JTPA Directive D96-15 is that Congress provided greater flexibility on Title III cost restrictions by removing the 25 percent expenditure limit on needs-related payments and supportive services (NRP/SS) costs.

Effective Date:

This Directive is effective upon release.

REFERENCES:

- Changes in Restrictions on PY 1995 JTPA Title III Funds, transmitted by Training and Employment Guidance Letter 12-94, June 6, 1995
- JTPA Public Law 97-300, as amended, November 1992
- DOL, Employment and Training Administration, 20 CFR, Part 626, et al., Final Rule, September 4, 1994
- DOL, Financial Management Technical Assistance Guide, amended January 1995

STATE-IMPOSED REQUIREMENTS:

This document contains State-imposed requirements that are printed in ***bold italic*** type.

FILING INSTRUCTIONS:

This Directive supersedes JTPA Directive D95-15 dated September 11, 1995.

BACKGROUND:

The 1992 amendments to JTPA changed the calculation of the Title III maximum and minimum cost compliance requirements from one based on annual (program year) expenditures to one based on allocations for a given program year. Final cost compliance, therefore, cannot be measured until the allocation is fully expended or until the end of the funding period. Of the total Title III funds allocated, distributed, or awarded to an SDA for a program year of allocation, not less than 50 percent shall be expended for retraining services, as specified under Section 314(d) of the JTPA, unless a waiver of this requirement is granted by the Governor (to the extent allowed in the JTPA). Not more than 15 percent may be expended to cover administrative costs. None of these limitations are applicable to State or local rapid response activities per Section 314(b). In addition, funds awarded under Section 302(c)(1)(b) for statewide, regional, or industry-specific projects are not subject to the 50 percent minimum retraining.

POLICY AND PROCEDURES:

Minimum and maximum cost limitations are applicable to Title III funds including:

1. The 50 percent funds allocated by formula under the JTPA, Section 302(d).
2. The 10 percent funds distributed according to need under JTPA, Section 302 (c)(2).
3. The 40 percent funds awarded under provisions of the JTPA, Section 302(c)(1)(E), with the exception of rapid response funds and (for retraining) statewide, regional, and industry-specific projects.

Funds awarded to SDAs under JTPA Section 302(c)(1)(B) for statewide, regional, or industry-wide projects have a maximum limitation of 15 percent for administrative costs. These funds remain within the Governor's Reserve category and are not subject to the retraining cost limitation.

Expenditures must be tracked and reported by cost category, by fund source, and by "program year of allocation." This latter term includes all funds allocated, distributed, and awarded for a specific program year. The term "allocated" is defined in the JTPA, Section 315, to mean "allocated for a program year, as adjusted for reallocation between substate areas, and for reallocation in accordance with JTPA Section 303." Pursuant to Section 315, funds deobligated before the expiration of the funding period will reduce the allocation amount for cost compliance purposes. ***As required by the State's fund utilization policy, funds not expended by the end of the two-year funding period will be returned to the State.*** Cost limitation calculations, in this case, will be calculated on the balance of the (reduced) allocation after deobligation pursuant to JTPA Section 315(e). This procedure is consistent with requirements found in JTPA Section 303(d) which requires the State to publish uniform procedures to prevent the State from potential recapture.

Cost compliance analysis is first applied to each Title III fund source (50, 10 or 40 percent) separately (since the 50 and 40 percent funds may have different retraining minimums) and then measured for compliance on the aggregated amount of the combined Title III funds for the program year of allocation (at the end of the two-year funding period based on close-out reports). Note, funds provided under Section 302(c)(1)(B), see above, will not be included in the aggregate cost compliance calculations. Funds disallowed for non-compliance with cost compliance provisions will not reduce the allocation amount.

A. Compliance with Cost Limitations

Cost Limitation Expressed in Maximums

Title III funds have a maximum limitation of 15 percent for administrative costs. Whenever a maximum cost limit is exceeded, a violation of the JTPA has occurred, and the only appropriate sanction is the disallowance of the amount expended in excess of the limitation.

Illustration: An SDA has a Title III allocation of \$1,000,000 with an administrative cost limitation of 15 percent or \$150,000 and actual administrative expenditures of \$180,000.

Cost Category	Administration
Cost limit per allocation	\$150,000
Expenditures	\$180,000
Expenditure rate	18%
Overexpended	\$30,000
Disallowance	\$30,000

The above shows a violation of the JTPA. The sanction is the disallowance of \$30,000 in excessive expenditures in the administrative cost category.

Cost Limitation Expressed in Minimums

The JTPA also requires that a minimum of 50 percent of the SDA's Title III allocation must be spent on retraining services, unless the Governor has approved a waiver to lower this minimum (to no less than 30 percent). Since retraining expenditures must be at least 50 percent (unless waived), the converse is true that no more than 50 percent of the allocation may be spent on the other cost categories (administration, NRP/SS and basic readjustment services (BRS)). When the combined expenditures for administration, NRP/SS and BRS exceed 50 percent of the allocation, a violation of the JTPA has occurred since it is no longer possible to meet the requirement that a minimum of 50 percent of the allocation be spent on retraining. The appropriate sanction is to disallow the amount by which combined expenditures for administration, NRP/SS and BRS exceed 50 percent of the allocation. The overexpenditure may fall in any or all of the other categories. If the SDA is within the 15 percent administration limit, however, the overexpenditure would fall in the remaining cost categories.

Illustration: The SDA's Title III allocation is \$1,000,000 and the retraining limitation has not been reduced. Expenditures are \$150,000 in administration, \$250,000 in NRP/SS, \$125,000 in BRS (totaling \$525,000) and \$475,000 in retraining. The combined amount of expenditures in administration, NRP/SS and BRS exceeds the limitation by \$25,000, which is disallowed because that overexpenditure causes noncompliance with the 50 percent retraining requirement.

Cost Category	Retraining	Administration	BRS/NRR/SS	Total
Cost limits per allocation	\$500,000	\$150,000	N/A	\$1,000,000
Expenditures	\$475,000	\$150,000	\$375,000	\$1,000,000
Expenditure rate	47.5%	15%	37.5%	100%
Underexpended	\$25,000			
Overexpended			\$25,000	
Disallowance				\$25,000

In the above illustration, the allocation was fully expended. No funds were available to increase retraining expenditures up to the 50 percent minimum. The administrative cost limit was met, therefore, the sanction is to disallow the excess costs that were spent for NRP/SS and BRS.

Effect of Unexpended Funds on Cost Limitation Compliance

If an SDA has not fully expended the funds by the end of the second year of the funding period, an amount equal to the unexpended balance is returned to the State. The deobligation of the unexpended funds will have the effect of reducing the SDA's allocation for that program year's funds. This, in turn, reduces the basis for determining the SDA's compliance with the cost limitations.

Illustration: The SDA's Title III allocation for the program year is \$1,000,000. At the end of the second year of the funding period, the SDA has expended

\$950,000, of which \$150,000 is for administration, \$505,000 for retraining, \$245,000 for NRP/SS, and \$50,000 for BRS. The unexpended balance of \$50,000 is deobligated.

Cost Category	Retraining	Administration	BRS/NRR/SS	Total
Cost limits per allocation	\$475,000	\$142,500	N/A	\$950,000
Expenditures	\$505,000	\$150,000	\$295,000	\$950,000
Expenditure rate	53%	16%	31%	100%
Overexpended		\$7,500		
Disallowance				\$7,500

Based on the revised allocation of \$950,000, the SDA has exceeded the 15 percent administration limitation by \$7,500. This amount is subject to disallowance.

B. Cost Compliance Oversight

Although the final maximum and minimum cost compliance requirements cannot be calculated until the end of the funding period (or at complete expenditure of an allocation), the JTPD's SDA Support Section may conduct desk reviews and inform the SDA of potential problems. This process does not absolve the responsibility of the SDA to ensure that its expenditures are in compliance with the minimum and maximum cost limitations. If it appears that the SDA will have a problem in meeting the expenditure requirements before the end of the funding period, a corrective action plan may be required. Although cost compliance is normally conducted after close-out, a compliance issue may arise at anytime if an SDA reports expenditures on administration in excess of 15 percent of its allocation. In this case, the issue will be referred to the Compliance Resolution Unit in the Employment Development Department's Program Review Branch for resolution. See JTPA Interim Directive 95-07 for procedures relative to debt collection and resolution activities.

ACTION:

The SDA is solely responsible for ensuring its compliance with the cost limitations in the JTPA and Final Rule. The SDAs need to establish systems for accurate tracking and reporting of expenditures by cost categories and by the year of allocation.

INQUIRIES:

Any questions regarding this Directive should be directed to John Ives, Data Analysis Unit Manager, at (916) 654-8281, or your program manager.

/S/ BILL BURKE
Acting Chief